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The Anglo-Iranian deadlock has hardened with the termination of negotiations and the anticipated Iranian ultimatum to the British to withdraw their technicians if negotiations are not resumed within fifteen days. The Iranian economic situation is becoming more serious, and the political situation is disturbed by anti-Mossadeq sentiment in the Majlis and expanded Communist activity among the unemployed.

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The latest UN mission has left South Asia without achieving a permanent settlement of the Kashmir problem, although the door to future negotiations is still open. Warlike tension in the area has lessened, but further trouble is still possible.

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A more efficient national economy appears to have been the goal of the recent reorganization of the Central Committee of the Czechoslovak Communist Party and the economic ministries of the government. The realignment of personal powers apparently is designed to bring fresh leadership to bear on the problem of increasing heavy industrial output.

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The French authorities in Indochina fear that the US is seeking to expand its influence at the expense of France. They have criticized US actions, particularly the administration of economic aid, but have made no formal complaints. The French attitude, while not crippling US policy, has tended to retard its implementation and has inhibited the agreed program of building a strong non-Communist Vietnamese government.

WORLD COMMUNISM: COMMUNIST HARD CORE STRATEGICALLY LOCATED IN  
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The Communists, despite their small numbers and political weakness, retain their importance in strategic segments of the trade union movement in Sweden, Norway and Denmark. They still control a number of locals in vital industries, and therefore possess a dangerous sabotage and espionage potential.

## THE SOVIET WORLD

The Soviet Union has so far failed to react with customary vigor to the Japanese peace conference, to events in Korea, to Allied discussions of a "contractual arrangement" with the German Federal Republic, and to the Ottawa meeting of the North Atlantic Council.

One possible explanation is that, following the Japanese Peace Treaty, Soviet propaganda is marking time pending high-level policy decisions on the USSR's future course of action, particularly in the Far East.

German rearmament is receiving renewed attention in Moscow's propaganda output, and this heightened interest is also revealed by the note which Foreign Minister Vyshinsky handed to the French Charge on 11 September. The note protested against France's softening policy on German rearmament and stated that such a policy was contrary to both the Franco-Soviet treaty of 1944 and the Potsdam Agreement.

The Soviet Foreign Office has also accused France and Great Britain of violating the treaties of friendship and mutual assistance which each had concluded during wartime with the USSR. There is still no evidence that the Soviet Union intends to denounce either of these treaties at this time.

In the economic field, the Soviet Government has continued to seek normal relations with both countries. A new five-year agreement between the USSR and France, succeeding a contract concluded in 1945, provides for trade relations on a most-favored-nation basis. Moscow has also reached another annual agreement with Great Britain under which Russia will supply one million tons of grain, including wheat, in the coming year. The ambitious post-war economic development of the Soviet Far East, as well as events in Korea, appear to have aggravated the chronic transportation difficulties of the USSR. In recent months passenger transport in particular has been affected, probably due to priorities on freight shipments. Even in the case of freight, however, there were restrictions placed on shipments by air via Moscow to points in the western USSR and the Far East.

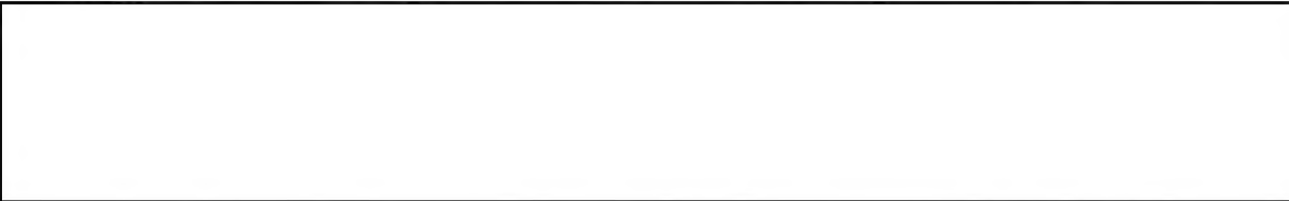
In Poland and Rumania, the Communist regimes are taking new steps to eliminate remaining opposition elements in the Catholic hierarchy. The Rumanian campaign against the Church is currently highlighted by an espionage trial of several Catholic churchmen who have allegedly been in the employ of the United States, British and Vatican intelligence services.

The most recent phase of the Polish anti-Church campaign involves the trial of five Catholic churchmen who had been particularly outspoken

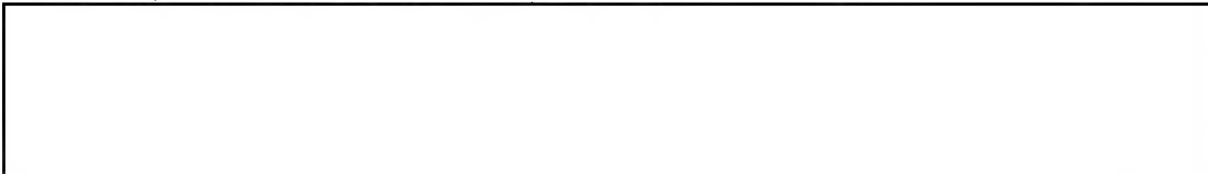
opponents of the Communists. All of the accused, who have been imprisoned for at least two years, are charged with plotting "the overthrow of the People's Government." The US Embassy in Warsaw interprets the proceedings as part of the Communist effort to eliminate the leadership of the anti-Communist clergy and to exact Church support of Communist policies. A recent broadcast stating that high state decorations have been awarded to a number of Catholic clergymen for their efforts "in the struggle for peace" reveals another Polish Government attempt to split the Catholic clergy.

On the other hand, the Polish Catholic Primate, Archbishop Wyszynski, has issued a pastoral letter stressing the necessity of religious education for Polish youth. This emphasized the Church's continuing determination to circumvent its lack of control over religious education in the state-supported schools by exhorting parents to carry out religious education in the home.

Satellite efforts to aid North Korea are continuing, with reports of the delivery of Polish clothing and East German clothing and medicines. While the delivery of 82 truckloads of Polish aid to North Korea was reported in May, this is the first report of East German assistance to North Korea.



Reports from Czechoslovakia point to a further tightening of controls along the Czech border with the US Zone of Germany which will make frontier crossings virtually impossible. The preparations, scheduled for completion this month, include an electrically-charged fence with cleared and mined areas on both sides of it. The large number of escapes from Czechoslovakia probably brought on the increased emphasis on border security observed during recent months.



## RECENT DEVELOPMENTS IN IRAN

It has become clear that the "suspended" Anglo-Iranian oil negotiations have in reality been terminated, at least from the British point of view. Any resumption of negotiations must be on Iran's initiative.

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The Iranian Government, through Mr. W. Averell Harriman, attempted to deliver a fifteen-day ultimatum to Great Britain demanding resumption of the negotiations under the threat of expulsion of the remaining British technicians. Mr. Harriman refused to transmit it and the Iranian Deputy Prime Minister has been quoted to the effect that it will be delivered directly.

The loss of revenue from the Abadan oil field has weakened the Iranian economy dangerously, although total collapse may be averted for some months. Great Britain has suspended Iran's right to convert sterling into dollars and has banned the sale to Iran of scarce goods, such as sugar, railroad equipment, iron, steel and non-ferrous metals, thus adding to the economic plight of the country.

The Iranian Government announced on 17 September that it was negotiating an oil barter agreement with the USSR. Previously, the government had reported that negotiations, as yet incomplete, for the sale of over a million tons of oil products had been carried on with Poland and Czechoslovakia.

The USSR could divert a few, possibly ten, of its tankers from present commitments to hauling Abadan oil to Communist China or to the USSR itself. At present, an estimated 95 percent of the oil furnished China by the Soviet Union is moved by rail. In any event, the USSR will probably not be able to lease enough tankers to move more than a small percentage of the normal annual output of Abadan. However, even such a small percentage would help the Soviet Union meet its Far East oil commitments.

Meanwhile, anti-Mossadeq sentiment in the Majlis has become more vociferous. The opposition has been strengthened by the reappearance of British-favored Seyyid Zia of the "National Will Party." Zia, if he should become prime minister, reportedly will press for economic and social reforms rather than immediate settlement of the oil problem -- apparently hoping that anti-British feeling will be weaker after a cooling-off period.

Such a plan, however, may have little success. Complete adherence to the oil nationalization law has become so closely identified with Iranian nationalism that the extreme right and the extreme left would undoubtedly combine to keep it a "hot" issue. In Zia's favor is the fact that many Majlis deputies fear they will lose their seats if Mossadeq remains in power and controls the elections scheduled for November and December .

Iranian army units have been alerted for possible disorders among the thousands left unemployed by the oil shutdown. A government program for irrigation and agricultural projects is too far in the future to be of value in relieving present unemployment. Pro-Soviet Tudeh activity has increased among the unemployed.

Should financial difficulties force a suspension of army pay, the resulting loss of military morale could present a serious security problem.

## THE CURRENT SITUATION IN KASHMIR

The departure from South Asia of Dr. Frank Graham, the UN Representative charged with investigating the Kashmir problem, ended another UN attempt to resolve the Indo-Pakistani dispute, a threat to the peace of the Indian subcontinent for almost four years. The mission came no closer than earlier ones to achieving a permanent settlement.

However, Dr. Graham left the door open for future negotiations on the demilitarization of Kashmir, the major question on which all previous mediation efforts have broken down. By submitting to both countries informal suggestions for progressive demilitarization and the eventual appointment of a Plebiscite Administrator, Dr. Graham avoided forcing either country into formal acceptance or rejection of his proposals. In this way he reportedly obtained full Pakistani agreement to his proposals, and Prime Minister Nehru of India apparently indicated his willingness to agree to many of the points contained in them.

At present, the danger of armed warfare between India and Pakistan over Kashmir seems less acute than previously. Although large forces are still drawn up along the borders, both countries have reinstituted military leaves

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There is also less likelihood of extensive civil disturbances in connection with the Kashmir Constituent Assembly elections, since the candidates of Premier Sheikh Abdullah's Indian-dominated National Conference party were unopposed in 43 of 45 constituencies in Kashmir and Ladakh provinces and were declared elected without a vote. Widespread polling will be required only in the 30 constituencies of Jammu province, where the question before the voters is less one of allegiance to India or Pakistan than one of the degree to which Kashmir should be integrated into the Indian governmental system.

Despite the lessened tension in Kashmir, the UN is considering further measures to be taken immediately after the receipt of Dr. Graham's report. Prompt action by the UN is deemed necessary in order to avoid any resurgence of unrest following the withdrawal of the Graham mission, since there is still no sign that India intends to permit a free plebiscite in Kashmir, and it is doubtful that India will agree to demilitarization proposals when they are formally presented.

Recent offers of mediation or expressions of concern from a number of Moslem and non-Moslem nations may have given the Indian Government food for thought about its position in world opinion. On the other hand,



Prime Minister Nehru's apparent victory over opposing forces within his Congress Party may confirm his belief that his previous policy on Kashmir will continue to be supported by the great majority of the Indian people. The seeds of trouble still exist in South Asia and no permanent solution to the Kashmir problem is yet in sight.

## CZECHOSLOVAK REORGANIZATION DESIGNED TO INCREASE ECONOMIC EFFICIENCY

Achievement of a more efficient national economy appears to have been the motive for the recent reorganization of the Central Committee of the Czechoslovak Communist Party and the economic ministries of the government. Czechoslovak leaders, burdened with increasing Soviet demands, brought the government and party hierarchies closer together by establishing a Politburo consisting of seven members, all of them top government officials, including President Gottwald, Prime Minister Zapotocky and Deputy Prime Minister Slansky.

The effect of this move was to distribute party power, which previously had been centered in Secretary General Slansky. The new structure of the Central Committee parallels that of the Central Committee of the Russian Communist Party. The reorganization of the economic ministries follows the Eastern Europe trend of decreasing the scope of responsibility of individual ministries. The splitting of old ministries and the creation of new ones responsible for a limited sector of the economy is intended to bring more efficient administration and, at the same time, increased internal security through greater compartmentalization of knowledge and authority. Thus, the Ministry of Heavy Industry was replaced by five new ministries.

Another feature of the economic reorganization is the elimination of certain regional economic offices, which makes direct control over the nationalized industries possible. This move follows several years of unsuccessful experimentation in Czechoslovakia with running nationalized enterprises, and finally brings the control of the Czech economy into line with that of the other European Satellites and the USSR. A newly created Ministry of State Control, also a familiar organ in the Soviet Orbit, is charged with ferreting out shortcomings and prosecuting offenders in the economic ministries and state enterprises.

Little significance can be attached to the reshuffling of party leaders, except that it undoubtedly is designed to bring fresh leadership to bear on the problem of increasing heavy industrial output. Although Slansky's influence has been lessened, he remains a member of the all-powerful Politburo. This may be the first step in his removal, or it may only be part of the effort to achieve greater efficiency in the party hierarchy. There is no evidence that Slansky was tainted with "nationalist deviation." While the duties of the Party Secretary General have been turned over to Gottwald, the establishment of a Politburo will probably preclude any such concentration of power as that previously held by Slansky.

The party and government reorganization indicates no lessening of Soviet control; rather it provides evidence that more attention is being given to satisfying Moscow's demands.

## FRENCH IN INDOCHINA FEAR US INFLUENCE

The allocation of large amounts of American military and economic aid to Indochina during the past year under a priority second only to the Korean has failed to remove, and has possibly even aggravated, a persistent French fear that the United States is undermining French influence.

French objections to what is described as the "American presence" in Indochina were, until the end of 1950, generally expressed indirectly or semi-officially. These objections were first apparent when French officials sought to explain the rise of Ho Chi Minh in 1945 in terms of American machinations rather than the anti-French sentiments of the Vietnamese.

Since the beginning of 1951, however, French suspicions have been openly stated by France's High Commissioner and Commander in Chief, General de Lattre. At semi-public gatherings, he has made various extravagant charges that US officials are abetting the subversion of French authority. This "subversion" has allegedly ranged from support of anti-French Vietnamese political parties to such insignificant matters as provision of an American exhibit for a Hanoi fair that was bigger than the French exhibit.

Although the US Minister in Saigon admits that some of the 200 American officials and clerks in Indochina may have been indiscreet in criticisms of the French position in the country, the French attitude derives from more fundamental factors. French officials probably believe that the arrival of numbers of Americans threatens their prerogatives as guardians of Indochina; they are embarrassed before the Indochinese that they cannot equal the scale of US aid; and they probably sincerely believe that the ECA program is the forerunner of American economic penetration of Indochina at their expense.

The best evidence of the tenuousness of French charges that the US is subverting their authority is their failure, despite an American invitation to do so, to file any formal complaints. They have contented themselves with public pronouncements, unofficial complaints and behind-the-scenes obstructionism, which while not critically affecting the "deeper bases" of US-French relations in Indochina, have tended to harry and delay the implementation of the US economic and information programs.

The ECA program, particularly, has been the target of French mistrust. The French High Commissariat made strenuous efforts to dissuade ECA from importing Japanese textiles for distribution to needy Vietnamese,

but the arguments advanced were so unrealistic and uneconomic that these efforts were ultimately abandoned. French authorities have frequently attempted to divert ECA aid from the agreed objective of strengthening the prestige of the native governments in the eyes of their constituents. French pressure has been exerted to use ECA as a means of solving France's balance of payments problem in Indochina, to allocate what US officials regard as an undue proportion of aid to military ends, and to liquidate obligations inherited by the Indochinese states from France. The ECA representatives compromised on the second proposal and rejected the others.

Although French representatives theoretically had only a consultative voice in the elaboration of the US-Vietnamese ECA agreement, they were primarily responsible for the inordinate delay of over a year in the conclusion of the agreement, finally signed on 7 September.

French suspicion of American intentions has, moreover, an adverse effect on efforts to build a strong non-Communist Vietnamese Government. The French authorities appear to believe that the United States has entered into secret arrangements with Vietnamese individuals or groups. As a result, they have severely limited the political freedom of Vietnamese suspected of being pro-American.

The over-all effect of French antagonism is to complicate, and perhaps eventually seriously retard, American attempts to support the French and local governments in their efforts to oppose the challenge of Communism in Indochina.

WORLD COMMUNISM: COMMUNIST HARD CORE STRATEGICALLY LOCATED  
IN SCANDINAVIAN TRADE UNIONS

In strategic segments of the Scandinavian trade union movement the Communists are a small but important element with a dangerous sabotage and espionage potential.

The political appeal of Communism in Scandinavia has largely disappeared. Consequently, party leaders are turning their efforts to tightening their organizations. Within the trade union movement, the Communists seem to be concentrating on preserving their position in strategic unions where their reduced power can exert its maximum effect. The governments and the Social Democratic parties of Sweden, Norway and Denmark are aware of the security problem involved, but, because of their regard for civil liberties, are reluctant to take strong measures.

Scandinavian Communists never wielded so much influence as their colleagues in the French and Italian labor movements, and since 1946 they have suffered a steady decline. At present the Communists can hope for electoral support from less than ten percent of the Scandinavian trade unionists. They actually control less than five percent of the local unions, but these include some in the strategic metal trades, shipyards and railroads. They also retain strong minorities of 30 to 40 percent in other key locals as a leftover from the years of Communist domination. The location of some of these Communist strong points in Scandinavia's main seaports and in the mining regions of the far north gives a true indication of their potential danger.

In Sweden the Communists dominate only about one percent of the country's 8,881 local trade unions. Their strength is concentrated in the northern mining regions, whose high-grade iron ores contribute materially to Western rearmament, and in the big Göteborg shipyards, which are among the most important in Europe. In the metal workers' locals of Stockholm, Göteborg and the north, they retain large compact minorities. They also dominate over a third of the railroad locals in the northern frontier province of Norrbotten, and control the majority of the dockworkers in Göteborg and Stockholm. In all Sweden there are said to be a thousand Communist labor cells or factory clubs.

In Norway less than five percent of approximately 5,000 union locals are Communist-controlled, but there is a marked concentration of Communist strength in the key industrial area around Oslo. The unions that the Communists dominate are in less strategic industries like the building trades; but the metal workers' unions are heavily infiltrated. The main Oslo shipyard has recently come in for special attention from Communist organizers and the party has considerable influence in the various electro-chemical plants southwest of Oslo. Communists retain significant minorities among the dockworkers in the west coast ports of

Bergen and Trondheim, and there are noticeable concentrations among miners, chemical and metal workers in a dozen smaller cities along the west and north coasts.

In Denmark Communist influence is largely confined to Copenhagen labor unions. It is greatest among transportation and communication workers, certain government employees and metal and building trades' workers. The Copenhagen dockworkers are entirely Communist-dominated; and the national union of Marine Firemen is Communist-controlled. Within segments of the metal workers' unions there are important Communist minorities, with concentrations at certain key points such as the repair shops at Denmark's largest airport, a number of Copenhagen machine shops, and the country's principal small arms factory.

In all three countries, therefore, the minor political and union influence of the Communist Party does not reflect its considerable ability to cause trouble in an emergency.